GOVERNMENT OF INDIA
PLANNING
LOK SABHA

UNSTARRED QUESTION NO:5409
ANSWERED ON:28.04.2010
RBI PROJECTION ON INFLATION AND GROWTH
Hegde Shri Anant Kumar;Mahto Shri Baidyanath Prasad

Will the Minister of PLANNING be pleased to state:

(a) whether the Government is aware of the recent projection, made by the Reserve Bank of India (RBI) that the rate of inflation is likely to remain at 8.5 per cent and the growth rate at 7.5 per cent during the year 2009-2010;

(b) if so, whether the Government agrees with the said assessment;

(c) if not, the projection of the Government in this regard;

(d) the likely impact of the annual growth rate being lower than the rate of inflation on the economy of the country; and

(e) the special action plan proposed in view of the above projection?

Answer

MINISTER OF STATE IN THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI V. NARAYANASAMY)

(a) to (e): The Reserve Bank of India in its Third Quarter Review of Monetary Policy (29-01-2010) had placed the baseline projection for Gross Domestic Product (GDP) growth in 2009-10 at 7.5% and the Wholesale Price Index (WPI) inflation for end March 2010 at 8.5%.

The RBI in its Annual Monetary Policy Statement of April, 2010 has noted that the Central Statistical Organisation (CSO) in its Advance Estimates for 2009-10 had placed the real GDP growth during 2009-10 at 7.2%. The RBI has further mentioned that in its assessment the final real GDP growth for 2009-10 may settle between 7.2% and 7.5%. In respect of inflation, the RBI has noted that the WPI inflation data (as released by the Ministry of Commerce & Industry) stood at 9.9% for the month of March, 2010 over the corresponding month of the previous year.

While the assessment of the RBI represents its views, the Advance Estimates of GDP and the data on WPI are released by the official sources. The growth rate of real GDP is measured at constant prices and hence independent of any change in the general price level, whereas inflation measures the upward increase in the general price level.

The Eleventh Five Year Plan envisaged an annual average growth target of 9%. During the first year of the Plan (2007-08), the growth rate was well on the mark and estimated at 9.2%. However, the growth rate decelerated to 6.7% in 2008-09 on account of global slowdown and low growth rate in the agriculture sector. The three successive fiscal stimulus packages announced by the Government coupled with active monetary policy support have led to a recovery of the economy. The fiscal expansion by way of reduction in taxes and increased public expenditure has had an impact on the economy. The Advance Estimates of National Income released by the Central Statistical Organisation (CSO) indicate that during 2009-10 a growth rate of 72% will be achieved and is expected to accelerate further in the next financial year.